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Approved For Release 2003/04/29 : CIA-RDP84-00780R000400010007-2

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02/5 64-5678

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3 NOV 1964

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Proposed Revision of [] Custody of Funds

25X1

REFERENCES : (a) My memorandum to you dated 18 June 1964, Subject: Safeguarding Confidential Funds

(b) Your memorandum to Executive Director-Comptroller dated 1 July 1964, transmitting reference (a)

(c) Official Routing Slip to you from Executive Director-Comptroller dated 25 July 1964, requesting action

(d) My memorandum to you dated 22 July 1964, Subject: Special Screening of Principal Custodians of Funds

1. This memorandum requests action in paragraph 6.

2. Reference (c) requested you to assure that all personnel listed in paragraph 7a of reference (a) read and sign a statement acknowledging their understanding of the special rules of conduct and behavior which relate to their positions.

3. The attached proposed revision of [] is designed to clearly set forth this requirement and to establish responsibilities of appropriate Agency officials to obtain the statements of understanding and transmit them to this Office for custody. The proposed statement of understanding form to be made available for this purpose is attached; a separate sterile version also is provided for utilization by personnel in field locations.

25X1

4. Upon completion of formal coordination this Office will assume responsibility for arranging for the printing and distribution of the new statement of understanding forms for use as required by all components of the Agency.

5. In view of the fact that the specific action request contained in reference (c) changes the proposal to send an individual letter to each custodian of funds, it is assumed that it is also intended that we will not obtain from any custodian a statement of their personal financial status as originally proposed in paragraph 7d of reference (a) and referred to again in paragraph 7 of reference (d). Therefore, unless we are advised to the contrary we will be guided by this interpretation.

Insert as new subparagraph a(5) under Custody of Funds

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"(5) All principal fund custodians and other individuals holding positions of special trust in relation to confidential funds shall execute a statement acknowledging their understanding of the special rules of conduct and behavior which apply to their activities, both private and official. The Director of Finance shall be responsible for obtaining and retaining Form , Statement of Understanding - Conduct of Custodians of Funds, or Form , Statement of Understanding - Conduct of Custodians of Funds - Field, signed by all fund custodians in the Monetary Division, all principal Finance Officers at Stations or Bases following Class A Accounting and Reporting Procedures, and all custodians of imprest funds at headquarters . Operating Officials shall be responsible for obtaining and forwarding to the Director of Finance for his retention Form or Form signed by all Chiefs of Stations and Bases other than those assigned to stations or bases following Class A Accounting and Reporting Procedures, all principal custodians of funds in Agency-controlled proprietary and funding activities, and all other officers and employees identified by them for bonding purposes as incumbents of positions of special trust in relation to confidential funds."

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6. It is recommended that the attached proposed revision and forms be processed for publication and issuance.

R. H. FUCHS
Director of Finance

Attachments

25X1

STATEMENT OF UNDERSTANDING - CONDUCT OF CUSTODIANS OF FUNDS

1. While the sensitive nature of the Agency's mission makes it necessary that its personnel adhere to exemplary standards of behavior in their private as well as their official lives, principal custodians and others holding positions of special trust in connection with the safeguarding of official funds must assume a special responsibility for conducting themselves both professionally and privately in a manner which will avoid even the appearance of indiscretion in any of their actions.

2. Agency publications, particularly "Employee Conduct", provide a thorough coverage of employee indiscretions which require corrective or disciplinary action. In addition, however, each principal custodian and other individual holding a position of special trust in connection with the safeguarding of official funds is reminded of the following indiscretions which he should avoid at all times:

25X1

a. Frequenting gambling establishments or excessive gambling.

A person entrusted with Agency funds shall not frequent gambling establishments; engage in habitual gambling or games of chance; nor give the impression of excessive gambling, even in a social way.

b. Excessive drinking or the use of narcotics.

Excessive drinking or the use of narcotics may completely destroy the inhibitions and good judgment required of fund custodians. Excesses of any kind may lead to unfortunate conditions and conclusions. He must be in complete control of his actions at all times.

c. Illegal, immoral, or illicit activities.

Misconduct of this character which might embarrass the Agency or subject the individual to compromise or blackmail must be avoided.

d. Imprudent personal financial activities.

Extravagant buying or spending beyond the financial means of the individual may create pressures from creditors and increase the possibility of the misuse of official funds, thus causing extreme embarrassment to him, his family, and the Agency. A living standard which necessitates the individual to become burdened with debts beyond his ability to pay almost certainly will give rise to personal financial difficulties and must therefore be avoided.

c. Co-mingling of official and personal funds or advances of official funds to himself.

The co-mingling of personal and official funds, other than travel advances, must be avoided. In addition, a principal custodian of official funds must not advance money to himself without the proper approval and full knowledge of an appropriate approving official. Public monies must not be loaned, converted or deposited except as specifically allowed by Agency regulations.

3. In recognition of the seriousness of the consequences of any breach of the rules of good conduct and behavior, such as those listed above, supervisory officials will be held responsible for failure to report knowledge of any such misconduct.

4. It is realized that on some occasions pressures are brought to bear on custodians and others holding positions of special trust in connection with official funds to effect approvals or to make disbursements which may not be fully justified. If an approval or a disbursement cannot be fully justified, there should be no hesitation in refusing to give the approval or make the disbursement. If in an unusual circumstance, a supervisor, over objections, specifically directs a disbursement of funds, the disbursement may be made but the objections of the custodian or other individual responsible should be made a matter of record in writing and forwarded on an "EYES ONLY" basis to the Deputy Director for Support. This special recourse is provided to custodians of official funds in recognition that in their positions they have a responsibility for protecting resources in accordance with Agency regulations. Such protection will be respected and appreciated.

Read and understood:

(PRINT NAME IN FULL)

Date 19

(Signature)

STATEMENT OF UNDERSTANDING - CONDUCT OF CUSTODIANS OF FUNDS -

25X1

1. While the sensitive nature of the Organization's mission makes it necessary that its personnel adhere to exemplary standards of behavior in their private as well as their official lives, principal custodians and others holding positions of special trust in connection with the safeguarding of official funds must assume a special responsibility for conducting themselves both professionally and privately in a manner which will avoid even the appearance of indiscretion in any of their actions.

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3. In recognition of the seriousness of the consequences of any breach of the rules of good conduct and behavior, such as those listed above, supervisory officials will be held responsible for failure to report knowledge of any such misconduct.

4. It is realized that on some occasions pressures are brought to bear on custodians and others holding positions of special trust in connection with official funds to effect approvals or to make disbursements which may not be fully justified. If an approval or a disbursement cannot be fully justified, there should be no hesitation in refusing to give the approval or make the disbursement. If in an unusual circumstance, a supervisor, over objections, specifically directs a disbursement of funds, the disbursement may be made but the objections of the custodian or other individual responsible should be made a matter of record in writing and forwarded on an "EYES ONLY" basis to . This special recourse is provided to custodians of official funds in recognition that in their positions they have a responsibility for protecting resources in accordance with Organization regulations. Such protection will be respected and appreciated.

Read and understood:

(PRINT PSEUDONYM IF FULL)

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Date

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(Signature)

DD/S 64-4129

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DD / S R E G I S T R Y
F I L E Accounting

29 July 1964

25X1 Mr.

As you know from the tone of our discussion at the Noon Meeting yesterday, these papers need careful and expeditious attention.

I will appreciate any contribution you can make. My note to Mr. Bannerman expresses my view of the kind of letter we should give custodians but I am not at all sure that such a mild missile will get by.



25X1

3 Atts:

- Att 1: Memo dtd 22 Jul 64 to DD/S fm D/F, subj:
Special Screening of Principal Custodians of
Agency Funds (E.O.) - DD/S 64-4122
- Att 2: Memo dtd 1 Jul 64 to Mr. Kirkpatrick fm L. K.
White re safeguarding confidential funds w/atts -
DD/S 64-3593
- Att 3: Memo dtd 16 Jul 64 to Mr. Bannerman fm VRT re
draft of a form letter to fund custodians w/att

EO-DD/S:VRT:maq

Distribution:

- Orig - Adse w/atts
- 1 - DD/S Subject

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22 JUL 1964

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Special Screening of Principal
Custodians of Agency Funds

1. In accordance with my most recent conversation with you on above subject this Office met with the Director of Security, the Director of Personnel and the Chief, Medical Staff on 17 July 1964 and arrived at the following decisions.

2. The Office of Security will commence immediately to reevaluate each of the fifty finance employees designated as principal custodians of Agency funds submitted in a listing to the Office of Security with my memo of 15 July 1964.

3. The Office of Personnel will review the files to determine whether there is any information with respect to these particular Finance Officers that should be considered in determining whether they are suitable for having been assigned responsibility for custodianship of cash.

4. The Medical Staff will reevaluate each of the fifty Finance Officers who are presently at Headquarters including in each instance a psychiatric examination.

5. Any adverse results of these examinations and/or reevaluations will be conveyed to the Director of Finance for consideration in connection with the responsibilities of the individuals involved in the handling of funds.

6. It was also agreed that the Office of Security will re-evaluate, the Office of Personnel will screen and the Medical Staff will re-examine each Finance employee designated as principal custodians upon the occasion of:

a. their designation by the Director of Finance as custodian,

-2-


- b. their departure for an overseas assignment, and
- c. their return from an overseas assignment.

Each of the Offices will advise the Director of Finance of any pertinent information developed as a result of such reevaluations, screenings and/or examinations.

7. As soon as the final wording has been determined with regard to the letter that is proposed to be forwarded to each of the principal Finance custodians we will take appropriate steps to issue such a letter to each of the fifty principal Finance custodians and at the same time obtain from each a statement of their personal financial status. As soon as we have accomplished all of the above described actions it appears to me that we will have gone as far as we can at this time with respect to the fifty principal Finance employees designated as custodians. As you know, this takes care of only 50 out of approximately individuals handling cash and actually the additional requirements are being added to those persons upon whom we have the most precise and best organized controls.

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8. It appears to me that this Office can not proceed further without definite reaction from the Executive Director-Comptroller as to whether these same procedures should be applied to the remaining persons handling cash who are normally operating officials such as Station Chiefs, Case Officers, etc. It seems to me that the report which you have already forwarded to him and perhaps a copy of this memo would serve to give him a basis on which to indicate to us his desires with regard to future action on this problem.


R. H. FUCHS
Director of Finance

Attachment:

Memo to D/OP, D/OS & C/NS
dtd 15 July 64

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Next 3 Page(s) In Document Exempt

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DD/S 64-3593

DD / S REGISTRY
FILE *Accounts*

1 JUL 1964

MEMORANDUM FOR: Mr. Kirkpatrick

I am forwarding herewith an interim report in response to your Action Memorandum No. A-386 dated 25 May 1964.

With the exception of the recommendation made in paragraph 7.c. thereof, we are proceeding to implement these recommendations insofar as fund custodians in the Monetary Division and principal Finance Officers are concerned. Our most vulnerable areas, however, appear to me to be proprietaries, and advances for operational expenses.

I believe that this paper gives a good summary of the problem. It does not, however, solve it; and I propose to continue to work on it in coordination with other interested Agency components. I will make further reports as we progress.

Signed

L. K. White

Att: Memo dtd 18 June 64 to DD/S fr D/F,
subj: "Safeguarding Confidential
Funds," w/atts (DD/S 64-3368)

DD/S:LKW:jrf

Distribution:

- 0 - Adse w/O of att
- cc: D/F
- ✓ - DD/S subject w/cc of att and background
- 1 - DD/S chrono

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DD/S 64-3687

1 JUL 1964

MEMORANDUM FOR: Director of Finance

SUBJECT : Safeguarding Confidential Funds

Bob:

My comments on your memorandum of 18 June 1964 are as follows:

- a. Page 2, paragraph 3.a. - Okay, but how are these employees selected and screened?
- b. Page 3, paragraph 3.a.(1) - What medical-security screening do these people have?
- c. Page 3, paragraph 3.a.(2) - How much cash is in the vault? Could either make off with the money? Do they count it at the end of the day; if not, when?
- d. Page 3, paragraph 3.a.(4) - How often does the Office of Finance make unannounced cash counts?
- e. Page 4, paragraph 3.d. - Isn't there some way in which they could be bonded? These accounts average more than \$100,000 each.
- f. Page 4, paragraph 3.e. - These also average well over \$100,000 each. I wonder if cover precludes bonding.
- g. Page 4, paragraph 3.f. - These average between \$7,000 and \$8,000 each--not small. I wonder if there isn't more the auditors can do in this area.
- h. Page 8, paragraph 7.c. - I agree with the Director of Personnel that this special use of the Fitness Report should not be adopted.
- i. Tab A - I should like to see paragraph 2.b. strengthened and paragraph 2.c. changed to say that misconduct of this character will not be tolerated.

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j. General - I think that the Office of Finance memorandum has not been responsive to paragraph 2 and only partially responsive to paragraph 3 of the DD/S memorandum dated 1 June 1964.

k. General - The Office of Finance memorandum is not responsive to paragraph 1 of Action Memorandum No. A-386 dated 25 May 1964. I have decided to forward it as an interim report but wish the Office of Finance to pursue this promptly and vigorously to bring the matter to a final conclusion.

Signed

L. K. White

DD/S:LKW:jrf

Distribution:

0 & 1 - Adse w/cc of DD/S 64-3593

✓ - DD/S subject w/cc of att: DD/S 64-3368 & background

1 - DD/S chrono

DD/S 64-3593 - Memo dtd 1 July 64 to Ex. Dir. -Compt. fr DD/S

DD/S 64-3568 - Memo dtd 18 June 64 to DD/S fr D/F, subj:

"Safeguarding Confidential Funds," w/atts

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18 JUN 1964

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Safeguarding Confidential Funds

REFERENCES : (a) Executive Director's Action Memorandum
A-386, dated 25 May 1964
(b) Deputy Director for Support Memorandum to
Director of Finance, dated 1 June 1964,
Subject: Office of Finance

1. Reference (a) requested that a review be made of present Agency procedures for authorizing access to confidential funds and advice concerning additional safeguards which should be instituted. Reference (b) also primarily addressed itself to additional safeguards which might be effected relating to confidential funds.

2. The attached memorandum, therefore, has been limited to the problem of safeguarding confidential funds and omits specific discussion of controls over vouchered funds available to the Agency. To the extent applicable, however, the additional safeguards, checks, and balances adopted for application to custodians of confidential funds would also be applied to custodians of vouchered funds.

3. Certain additional safeguards for application to the control of confidential funds are offered for consideration in paragraph 7 of the attached memorandum. The attached paper contains proposals for your consideration rather than recommendations for final action, because I have reservations concerning the propriety or method of adopting certain of these proposals and would like an opportunity of discussing them with you in more detail before a final decision is made. Please also note the reservations expressed by Mr. Echols in his memo dated 18 June 1964, attached as TAB-C of the basic paper.



R. H. FUCHS
Director of Finance

Attachment

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D R A F T

TAB-A

CONDUCT OF PRINCIPAL CUSTODIANS AND OTHERS HOLDING POSITIONS OF
SPECIAL TRUST IN CONNECTION WITH THE SAFEGUARDING OF
OFFICIAL FUNDS

1. While the sensitive nature of the Agency's mission makes it necessary that our people generally adhere to exemplary standards of behavior in their private as well as their official lives, your position and its relationship to the safeguarding of official funds gives you a special responsibility for conducting yourself both professionally and privately in a manner which will avoid even the appearance of indiscretion in any of your actions.

2. Agency publications, particularly [] "Employee Conduct", provide a thorough coverage of employee indiscretions which require corrective administrative action. However, because of your position of special trust you are reminded particularly of the following pitfalls:

25X1

a. Frequenting gambling establishments or excessive gambling.

A person entrusted with Agency funds shall not frequent gambling establishments; engage in habitual gambling or games of chance, nor give the impression of excessive gambling, even in a social way.

b. Excessive drinking or the use of narcotics.

You must be in complete control of your actions at all times. Excessive drinking or the use of narcotics may completely destroy the inhibitions and the good judgment which you normally possess. Excesses of any kind may lead to unfortunate conditions and conclusions.

c. Illegal, immoral or illicit activities.

Misconduct of this character which might embarrass the Agency or subject you to compromise or to blackmail must be avoided.

d. Imprudent personal financial activities.

Extravagant buying may place you in a compromising position with creditors and result in extreme embarrassment to both you and the Agency. A living standard which necessitates becoming burdened with debts almost certainly will give rise to personal financial difficulties and must therefore be avoided.

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TAB-A
(cont'd.)

- e. Co-mingling of official and personal funds or advances of official funds to yourself.

The co-mingling of personal and official funds, other than travel advances, must be avoided. In addition, a principal custodian of official funds must not advance money to himself without the written approval and full knowledge of an appropriate approving official. Public monies must not be loaned, converted or deposited except as specifically allowed by Agency regulations.

3. In recognition of the seriousness of the consequences of conduct such as listed above, the Agency will take appropriate action to hold supervisory officials responsible for failure to report knowledge of any such misconduct. Supervisors are required to give specific recognition to such misconduct in the preparation of fitness reports. Not only will the erring employee be disciplined but also a supervisor who knowingly fails to make full disclosure of such facts known to him.

4. While placing a heavier burden of responsibility on you, who have special positions of trust, it is realized that there are times when pressures may be brought to bear to effect approvals or to make disbursements which may not be fully justified. If an approval or a disbursement cannot be fully justified, there should be no hesitation in refusing to give the approval or to make the disbursement. If in an unusual circumstance, a superior, over your objections, specifically directs the disbursement of funds, your objections should be made a matter of record in writing and forwarded on an "eyes only" basis to . This special recourse is being given you in recognition that in your position you have a responsibility for protecting resources in accordance with Agency regulations. Such protection will be respected and appreciated.

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TAB-B

FINANCIAL STATEMENT FOR BONDING RECORD

TAB-B

1. Applicant's Name:.....
2. Home Address :.....
3. Grade & Salary :.....
4. Additional Annual Income:.....
5. Statement of applicant's assets and liabilities as of _____ 19 _____

ASSETSLIABILITIES

Cash in..... Bank _____	Notes Payable to..... Bank _____
Cash in..... Bank _____	Notes Payable to..... Bank _____
Cash on hand..... _____	Notes payable to others..... _____
Stocks and bonds (total market value)..... _____	How is above indebtedness secured? _____
..... _____ _____
..... _____ _____
Accounts Receivable..... _____	Owing against Stocks and Bonds..... _____
Notes Receivable..... _____	Accounts Payable..... _____
Value of Household effects..... _____ _____
Real Estate (Give description and location)..... _____	Mortgages on real estate (if none write "None")..... _____
1. Homestead..... _____	1. _____
2. _____	2. _____
In whose name is title to real estate?..... _____	Other liabilities in detail (if none write "None")..... _____
Other assets (in detail)..... _____ _____
..... _____ _____
..... _____ _____
..... _____ _____
Total Assets..... \$ _____	Total Liabilities..... \$ _____

6. Are you surety or endorser upon any bond, note or other obligation, not included in your liabilities shown above?.....
If so, give names and amounts?.....
.....
Are there any judgments against you?.....
Are you threatened with any law suits?.....

7. Comments
.....
.....

DATE _____ SIGNATURE _____

SECRET

18 JUN 1964

MEMO FOR: Director of Finance

SUBJECT : Safeguarding Confidential Funds - Comments on Proposed
Memorandum For: Deputy Director for Support

1. I agree that it may be highly desirable and most timely to strengthen Agency influence and control over persons entrusted with the safekeeping and expenditure of Agency confidential funds.

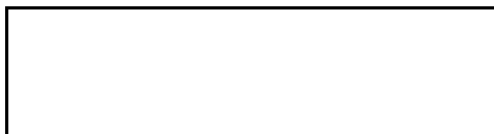
2. I interpret the measures proposed in paragraph 7 as falling in one of two categories of action:

a. Measures to heighten appreciation for the need to adhere to high standards of responsibility, judgment, and integrity in the safekeeping, accounting for, and utilization of confidential funds;

b. Measures to establish additional or more effective deterrents to laxity, extravagance, or dishonesty or behavior contributory to such attitudes.

3. Specifically, with respect to proposal 7c., I urge that the special use of Fitness Reports not be adopted. I believe it preferable to obtain a reading on the standards of conduct of key individuals handling Agency funds in some more discreet manner.

4. With respect to proposal 7d., I do not believe that the bonding of fund custodians in any way contributes to the objective being sought--which is to prevent poor practices rather than to ensure recovery of losses.



Emmett D. Echols
Director of Personnel

TAB
C

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